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P&I Pensions & Investments

The Newspaper of Corporate and Institutional Investing

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AT DEADLINE

ESOP suit withdrawn

The Department of Labor has withdrawn a controversial lawsuit that threatened the viability of many leveraged ESOPs. No reason was given for the decision to withdraw the department's complaint in Dole vs. Farnum.

Philadelphia cuts Trinity

Board members of the Philadelphia Municipal Retirement System have voted to take back a $99 million account that was managed by Trinity Investment Management Corp. because of poor performance. The investment had been made through Frank Russell Trust Co., which was acting as a manager of managers.

Lohrer quits Northrop

Richard B. Lohrer, vice president-trust investments at Northrop Corp., will take early retirement at the end of this month. His duties will be assumed by Rose Mary Abelson, director-trust administration and investment. Mr. Lohrer has run the $4.1 billion Northrop plans for 16 years and intends to remain involved in the pension field.

LBO commitments dive

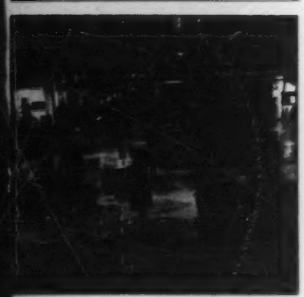
Total funds committed by banks to leveraged buy-outs, acquisitions, recapitalizations and other highly leveraged transactions have plummeted 37% from last year, according to Oppenheimer & Co. In 1989, banks committed $57.6 billion; so far this year they have committed $30.7 billion.

Profit slide predicted

Corporate profits likely will slide about 8% in 1991, according to Salomon Brothers.

The investment bank says a recession and high financial and operating leverage will depress earnings by more than in past recessions, after essentially level profits in 1990.

INSIDE



Retail returns in trouble

A drop in consumer spending — brought on by the soaring price of oil and likely increases in federal taxes — would dampen the returns from institutional investors' retail property investments. Page 3.

3 pension problems in budget bill

Congress expected to keep proposals

By Joel Chernoff

WASHINGTON — Pension executives might face a triple dose of bad news in the federal budget-reconciliation bill being negotiated on Capitol Hill.

Three major proposals have surfaced in the budget package now being assembled in Congress:

- Premiums paid by employers to the Pension Benefit Guaranty Corp. are likely to increase. Congress wants to raise $120 million a year in new revenue from premiums covering single-employer pension plans — nearly twice the $65 million increase proposed earlier.

Under the provision approved by the House Ways and Means Committee last Wednesday, the base rate charged to all plan sponsors would increase to $19 per participant from $16. Meanwhile, the variable rate, which is charged only to sponsors of underfunded plans, would rise to $9 per $1,000 of underfunding, from $6. The maximum that could be charged on the variable rate would rise to $53 from $34. The changes would go into effect next year.

In sum, that means the worst-funded plans could be charged a maximum premium of $72 per participant — a 44% jump from the current ceiling of $50. Sponsors of well-funded plans face an 18.75% increase.

- Provisions on the transfer of surplus pension assets to retiree medical accounts will be far tighter than most experts had hoped, greatly limiting the desirability of such transactions.
- New restrictions on reversions of surplus assets from terminated pension plans — the price extracted by congressional Democrats for permitting retiree-medical transfers — likely will bring to an end the desire of most employers to recoup excess pension assets. One proposal basically would tie up half of the surplus, before income taxes are deducted.

"It's a bad deal," said John J. Gish, assistant to the treasurer at W.R. Grace & Co., New York, referring to the acceptance of permanent restrictions on asset reversions for the limited ability to effect retiree-health transfers.

The proposal is "either confiscatory or very costly," said John Bohan, vice president-pension investments, The Pillsbury Co., Minneapolis.

While congressional committees were meeting late last week to hammer out budget provisions, most experts expected the pension-law changes to remain largely intact from the previous budget measure that went down in flames in the House a week ago.

The pension provisions all raise federal revenue and are overshadowed by major battles over cuts in the capital gains tax rate, Medicare changes and hikes in taxes for the wealthy. The retiree-health transfer and asset reversion changes are expected to raise $500 million in 1991 and

See **Budget** *on page 60*

Partnerships seek to raise $8.6 billion

By Marcia Parker and Marlene Givant Star

If buy-out firms, boutiques and investment banks reach their targets, more than $8.6 billion from institutional investors will be available for private capital infusions in companies.

The California Public Employees' Retirement System, the Massachusetts Pensions Reserve Investment Management Board, the Colorado Public Employees' Retirement Association and the pension funds of American Airlines Inc., Delta Air Lines Inc. and General Electric Co. are among the institutions that have funneled more than $3.5 billion this year into these new-age partnerships.

Fund-raisers hope to attract at least another $5.17 billion for privately placed debt and equity in companies. Even if these groups don't raise their full target amounts — and many institutions think that not all of them will — the private market clearly is destined to become a far bigger source of capital for companies. And these providers of private capital will have more influence over companies.

Moreover, the partnerships are evolving into true joint business ventures between the general partners and their institutional partners. Some partnerships have set up or are considering setting up advisory boards whose members include institutional partners. A few have begun inviting institutional partners to meetings with the top executives of the portfolio companies.

See **Private** *on page 61*

Photo by Margaret Price

The opening of the gateway to the east brings with it a slowdown in pre-funding German pensions.

Unification slows pre-funding

By Margaret Price

The unification of Germany is expected to slow the development of partially funded pension arrangements in the country.

Western Germany's time-honored book-reserves system of providing for pensions is expected now to spread to eastern Germany, helping to provide the capital needed to rebuild the former communist nation.

This demand for investment capital is helping slow the growth of special, segregated funds, which some German companies had established to back their pension promises.

The book-reserves system of keeping tax-deductible pension contributions inside the company and showing a liability to the pension plan on the company's balance sheet, contrasts with the systems in the United States and United Kingdom, which segregate pension assets from a company's working capital. Some experts say West Germany's book-reserves system aided the country's post-World War II economic boom.

The book-reserves system might well prove beneficial again. Some experts believe it should not only help bolster companies in eastern Germany, but also could give western Germany-based firms a financial advantage in buying, or investing in, eastern Germany.

Of course, pension issues aren't now paramount in Germany. Amid today's early phases of privatization in the former East Germany, which previously had a state social security system, German business executives have to grapple with such basic issues as rebuilding, profit-making and productivity enhancing. Investment has not yet been substantial in eastern Germany. But in time, after basic business problems are addressed in the east, companies will consider such employee benefits as pensions. At that point, consultants agree, the book-reserves pension system will be embraced.

In the aftermath of unification, "book reserves will be used even more than they have been," predicted Alf Gohdes, manager of the Munich office of The Wyatt Co. As he pointed out, "the system saves liquidity for a company."

In western Germany, most companies have long relied on the book-reserves system. Other tax-advantaged options often have

See **Germany** *on page 62*

NEWS DIGEST

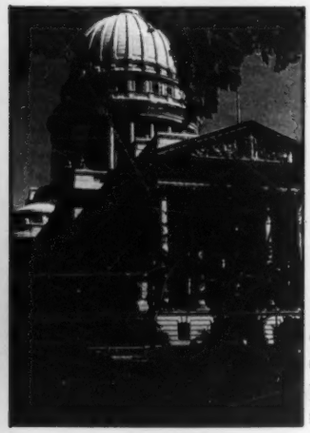


Photo by Tim Berger

Charges of outside influence over the Wisconsin State Investment Board have become an issue in the race for the state's highest office, with the Democratic gubernatorial challenger claiming those doing business with the board also are contributors to the Republican incumbent's campaign. Story on page 57.

Minority- and female-owned management firms that are participants in three commingled vehicles are getting more than $300 million from a broad cross-section of U.S. pension funds. Page 35.

SPECIAL REPORT: FOREIGN EXCHANGE

Household International Inc. places a high priority on its pension fund's currency hedging program. Page 21.

Currency options are valuable instruments that offer real protection for companies in today's global economy, a currency trader says. Page 21.

FINANCING

Institutional investors are being asked to invest billions of dollars to fund private capital infusions in companies. Page 1.

Mortgage- and asset-backed debt securities issues are booming despite the threat of inflation and a shortage of oil. Page 55.

INTERNATIONAL

West Germany's traditional system of providing for pensions to its workers is expected to spread with the German unification. Page 1.

The Soviet Union is being urged to issue ownership shares in government-run companies to hasten its transition to a market economy. Page 19.

REAL ESTATE

Pension funds are taking a harder look at growth and vacancy projections before pouring assets into real estate investment decisions. Page 26.

Turning around distressed hotel properties has gained more than just a passing interest of two corporate pension funds. Page 44.

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Record-keeping survey has begun

Pensions & Investments **is conducting a survey of defined contribution plan administrators. Questionnaires have been mailed for the directory, which will be published in the Dec. 10 issue. The deadline is Nov. 2. If you have not received a questionnaire and wish to be included in the directory, please contact Sabine Schramm at (312) 649-5407.**

3M eyes currency strategy

Firm learns how hedging affects entire business

By Marlene Givant Star

ST. PAUL, Minn. — Minnesota Mining & Manufacturing Co. is exploring an uncommon strategy of currency management of whole operations instead of specific transactions.

Known as "economic hedging," the process was pioneered by Eastman Kodak Co. and is attracting the interest of a few very large corporations. Merck & Co. Inc., Monsanto Co. and Dow Chemical Co. are applying economic hedging to varying degrees.

Economic hedging addresses how currency movements will affect an overall business, allowing corporate managers to decide how to use exchange rates and the foreign exchange market to compensate for that impact or determine whether they need to adjust the underlying business to withstand the impact. For example, a manager might incorporate currency considerations into the timing and location of a plant or equipment investment.

"We're getting a little closer to some of our businesses, working with them to identify competitors and develop currency strategies based on the overall business rather than just their transactions," said David Fellner, 3M's manager of currency and financial management.

3M has four business areas — industrial and electronic; commercial and consumer; information and imaging technologies; and life sciences. 3M executives have been cultivating their currency expertise since the mid-1970s, long before most other corporations began examining foreign exchange risk.

"Our approach to currencies is on a smaller scale but no less sophisticated than more aggressive corporate treasuries," said Dennis Durst, financial risk manager responsible for in-house currency trading and interest rate management.

Investors explore foreign exchange tactics. Page 21.

Bucking tradition is nothing unusual for 3M, which also is one of the few companies that not only internally manages the currency exposure of its corporate operations but also that of its pension plan. 3M even manages small global bond portfolio i house, another rare endeavor fo corporate pension fund.

The $2.73 billion defined ben fit fund had $157 million — i cluding $135 million in equities invested overseas as of Sept. 3 1989 (*Pensions & Investment* Jan. 22).

The currency and interest ra management department operat like a little company whose ve existence depends on its contrib tion to the corporation's botto line. The group is aggressive in use of options and plans to boo interest rate management in add tion to its study of economi hedging.

3M views economic hedging a way of "helping our divisio understand where their exposur are, structuring their business so they don't have to be qui asconcerned about exchan rates," Mr. Fellner said.

Eastman Kodak, which like 3 has close to 50% of its sales ove seas, pioneered economic hedgi three to four years ago. The co pany adopted it as an official po icy in the spring of 1988, accor ing to David Fiedler, director

See **Currency hedge** *on page*

Pension changes cost Ford

By Trudy Ring

DEARBORN, Mich. — Pension improvements negotiated in the United Auto Workers' new contract with Ford Motor Co. will increase Ford's current service cost between 15% and 20% for the three-year life of the contract, according to actuarial estimates.

The improvements also will increase the company's projected benefit obligation, with the size of the increase hard to determine.

A summary of the agreement presented by the UAW to its members does not, however, say what the improved benefits will cost the company. Company officials declined comment.

Gerry Bell, partner and actuary with Kwasha Lipton, Fort Lee, N.J., said the total compensation increase appeared to be between 6% and 8%; the increase in pension expense would be difficult to pinpoint, he said.

The tentative agreement, which has yet to be ratified by workers, provides for pension improvements that are similar to those r cently negotiated in the patter setting agreement with Gener Motors Corp. (*Pensions & Inves ments*, Oct. 1). Ford workers a

See **Ford** *on page*

Ford Motor's pending contract with UAW workers would increase Ford's projected benefit obligation and current service cost.

Fund caps realty advisers' fee

By Steve Hemmerick

SACRAMENTO, Calif. — The California Public Employees' Retirement System expects to save hundreds of thousands of dollars by setting upper limits on what its real estate advisers can charge in annual asset management fees.

The move is in keeping with pension executives' attempts to lower real estate money managers' fees.

Trustees for the $57 billion fund made the decision after becoming convinced that standard asset management fees resulted in their paying excessive amounts on their $2.3 billion real estate portfolio.

The maximum fees, which can save as much as an estimated $525,000 each year for just one $150 million property, are effective in April, when the fund's real estate advisory contracts expire.

Fee caps could be used on at least 23 properties with values between $50 million and $200 million.

To begin the contractual pr cess, the retirement system r cently sent out bid requests more than 100 real estate adviso firms, including the six wit which it now has contracts.

The new contracts stipulate a visers can charge no more tha $500,000 in asset managemen fees for each building, plus a 2 basis-point fee on the amount o property's value over $100 mi lion.

In effect, the new fees establis

See **Fees** *on page*

GE Investments

Worldwide Diversified Money Management Services

U.N. chief named

By Margaret Price

NEW YORK — Henry Ouma, formerly deputy chief-investment management service of the $9 billion United Nations Joint Staff Pension Fund, has been promoted to chief of the service — the position that had been vacated by Pierre Henchoz.

Mr. Henchoz left the U.N. Aug. 31 to become chief investment officer of Hentsch, Chollet & Cie, a private bank in Lausanne, Switzerland (*Pensions & Investments*, Sept. 3).

Mr. Ouma officially took on his new role Sept. 1. So far, no one has been named to fill his former slot as deputy chief. But Mr. Ouma said that position probably will be filled late this year or early in 1991.

Mr. Ouma, a native of Kenya, joined the U.N.'s investment section in 1980 as an investment officer. He had held the job of deputy chief-investment management service since April 1986.

He said no changes are planned for the U.N. fund's investment management, which is handled in-house. The fund has 40% in stocks, 38% in bonds, 11% in real estate and the rest in short-term investments, he said.

The fund will be continuing with plans for its in-house global custody network, which Mr. Ouma said should be operational "hopefully within a year or two" (*P&I*, July 9).

Mr. Ouma's new role allows him to "focus on the broader picture" of the fund's investing, he said. During his tenure at the fund, he had been responsible for different parts of the entire portfolio. For instance, in his past job, he was responsible for equities management in the markets of the Far East, the United Kingdom and emerging markets, as well as real estate. ■

CORRECTIONS & CLARIFICATIONS

• **NCNB National Bank**'s master trust/master custody profile was omitted inadvertently from the Oct. 1 directory.

The bank would have ranked 18th among master trust banks ranked by U.S. tax-exempt assets and seventh among banks ranked by new U.S. tax-exempt business gained in the year ended June 30. For the ranking by taxable master trust and custody assets, the bank would rank 13th. The complete profile follows.

NCNB National Bank
1 NCNB Plaza, T10-10, Charlotte, N.C. 28255; (704) 386-5115

Domestic master trust assets	$22,700,000,000
Tax-exempt	$19,400,000,000
Taxable	$3,300,000,000
Domestic master custodial	$9,300,000,000
Tax-exempt	$1,500,000,000
Taxable	$7,800,000,000
Domestic master trust clients	
Tax-exempt	43
Taxable	5
Domestic master custodial clients	
Tax-exempt	6
Taxable	4
Account supervisors	8
Reports available on-line	
Monthly transaction	
Asset & liability	
Performance measurement	

NCNB National Bank reported new, tax-exempt domestic master trust business of $6.735 billion in the year ended June 30 and new, tax-exempt domestic master custodial business of $2 million.

The primary accounting method is trade date, full accrual. Settlement date and cash or accrual basis accounting also are offered.

Services offered in the basic master trust/master custodial agreement are client on-line reporting and downloading; on-line DTC securities processing; on-line cash management and forecasting; fail float earnings; 150 accounting reports; global custody; plan accounting and reporting; pre-crediting dividends and interest on payable date in good funds; daily pricing; on-line benefit payments and control disbursement; securities lending; options/futures processing; on-line performance measurement and analytics; TUCS; asset allocation and simulation services; on-line investment manager affirmation; on-line cash management sweep services; and on-line institutional custody service.

ESOP and 401(k) administration; government reporting; stock and bond index funds; portfolio risk insurance; GIC wholesale service; dedicated bond portfolios; performance consulting; transition manager service; and international, real estate and annuity investing are available for additional fees.

Record-keeping services offered include individual participant record keeping.

New features include comprehensive mutual fund daily valuations, expanded trade execution analysis and improved customer reporting.

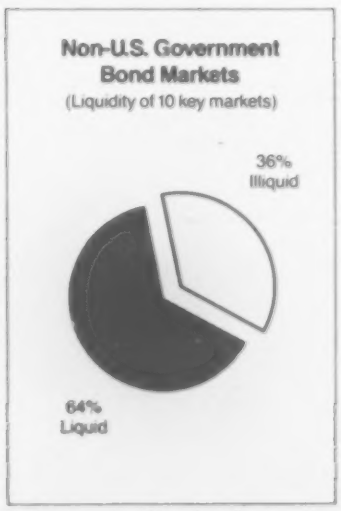
Fees are based on a percentage of market value plus transaction fees.

The contacts are K. Nash Kinney and James C. Rhea.

Finally,
a global bond index
based on government bonds
that actually trade.

By tracking only actively traded bonds, the J.P. Morgan Government Bond Index is the fairest way to measure an investment manager's fixed-income performance. The Index includes only liquid issues in each of 11 markets, providing a daily benchmark for your portfolio performance that is based on reliable prices and is more reflective of actual market risks. With daily market prices and all settlement and interest calculations performed according to individual market conventions, the Index is becoming the preferred benchmark for investor performance in the global bond markets.

For more information on the J.P. Morgan Government Bond Index, call your consultant, or Sharon O'Connor, J.P. Morgan Securities Inc., (212) 648-0870.



With international bond markets varying widely in liquidity, an investment manager's portfolio can have a very different market exposure from a benchmark that includes illiquids.

JPMorgan

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J.P. Morgan Securities Inc., a member of S.I.P.C.

Photo by Anthony F. Ficke

The Caribbean apparel industry is one of the investment opportunities to be touted at a conference this week.

INTERNATIONAL

Caribbean is dressing for success

■ Like many countries the world over, those in the Caribbean Basin are dreaming up all sorts of clever ways to attract foreign investors.

Besides a sampling of Caribbean food, one of the highlights of a Caribbean Basin Business Conference Oct. 18-20 in San Juan, Puerto Rico, is a Caribbean fashion show. It's designed mainly to showcase the design and quality of the region's apparel industry. Conference sponsors are talking up apparel investment and trade opportunities as well as agribusiness and light manufacturing.

The Caribbean Basin offers foreign investors low taxes, cheap financing, skilled and inexpensive labor, proximity to the United States and transportation links to Canada and Europe.

CORPORATE GOVERNANCE

Push on for independent directors

■ Support is picking up worldwide for stacking corporate boards with more independent directors as a way to strengthen board performance and corporate governance.

Pro-Ned (Promotion of Non-Executive Directors), the nonprofit British group that has made independent boards of directors its crusade, is consulting with a similar start-up group in France. Robert Monks, former president of Institutional Shareholder Services, Washington, has talked with Pro-Ned about offering a recruitment service for independent directors in the United States patterned after the one Pro-Ned provides in Britain. The Council of Institutional Investors also is trying to develop a director bank.

Candidates recommended by Pro-Ned fill only a small number of board seats each year, although the use of the service is growing, according to Executive Director Colin St. Johnston. The group is targeting middle-market companies because most of the bigger U.K. company boards — like their U.S. counterparts — already have several outside directors. One difference in its approach, however, is that Pro-Ned believes only a third of the board members should be independent. In the United States, the call is for a majority of independent directors.

Down the road, Pro-Ned plans to offer a European boardroom recruitment service to reflect the increasingly global scope of British companies.

LEASING

Survey finds 11% increase in 1989

■ New leasing business volume increased 11.4% in 1989, a survey by the American Association of Equipment Lessors shows.

The growth, to $41 billion from $36.8 billion in 1988, was due to a boost in direct financing and leveraged and operating leasing.

The association also reported an additional $11 billion in brokered transactions. When brokered and automobile leasing volume is included, total volume swelled to $56.3 billion or an estimated 46% of all equipment leased in the United States in 1989.

Direct financing volume grew 16.6% to $26.3 billion from $22.6 billion and operating leasing volume rose 18% in 1989. Leveraged leasing volume increased 75% to $8.9 billion from $5.1 billion, according to the survey.

More medical, manufacturing and electrical power generation equipment was leased in 1989 than 1988. Medical equipment leasing volume rose to 4.2% from 3.3%; manufacturing leasing volume increased to 6.7% from 5.1%; and electrical power leasing volume jumped to 5.6% from 3%.

Leasing volume fell in 1989 in the computer, aircraft and telecommunication equipment categories. Computer equipment leasing dropped to 19.7% from 21.7%; aircraft leasing dipped to 13.9% from 15.1%; telecommunications leasing declined to 4.6% from 8.3%. Despite the decline, computers and aircraft prevail as the most-leased equipment in the industry, the survey said.

REAL ESTATE

Funds' rush to foreign property at least a year away

■ Many U.S. pension funds are a year to 18 months away from investing in European real estate, one international real estate brokerage executive believes.

Paul R. Dudman, director of Auguste-Thouard/Edward Erdman in London, said many pension executives have expressed interest in foreign realty, but say they first must take care of domestic real estate problems.

Mr. Dudman was one of several foreign commercial brokers — all affiliated with The Office Network, an international brokerage consortium — who discussed international real estate investing with *Pensions & Investments* during a meeting in Chicago.

Ib Gregers Hansen, director of Sadolin & Albaek in Copenhagen, Denmark, suggested U.S. investors consider Copenhagen, where the infrastructure is undergoing major improvements and there is a 2% office vacancy rate. Swedish investors have begun buying up Danish properties, and Mr. Hansen expects the West Germans won't be far behind.

As for foreign investors, Mr. Dudman said to look for increased U.S. property investments by French investors because investment restrictions have eased. Mr. Hansen said Finnish investors also will be looking at foreign real estate because their investment laws have been liberalized, while the Swedes are interested in U.S. markets that are near bottom.

PUBLIC FUNDS

D.C. government makes payment

■ As promised, the District of Columbia has delivered the $55 million quarterly payment which the city delayed making to its pension fund last summer.

The $1.5 billion District of Columbia Retirement Board, which weathered a more than five-week delay in 1988, charged the city 11% interest on its most recent contribution, which was due July 1 and paid Sept. 29.

The payment came just one week after Philadelphia's Mayor W. Wilson Goode announced a plan to defer $90 million in pension payments to the $1.65 billion Philadelphia Municipal Pension Fund.

Both cities are in a state of financial crisis.

The District government has been struggling to make payments as it wages a legislative battle to get increased federal funding. Mr. Goode's decision to defer Philadelphia's pension payment was part of a $142 million plan to stave off the city's bankruptcy until Dec. 1.

New Common Fund executives: Lyn Hutton, left, and Harry Turner.

PEOPLE

Common Fund, firm tap chairmen

■ Lyn Hutton, vice president of finance and treasurer of Dartmouth College, has been named chairman of The Common Fund and Harry Turner, acting treasurer of Stanford University, has been named chairman of Endowment Advisors Inc., a firm founded by the Common Fund.

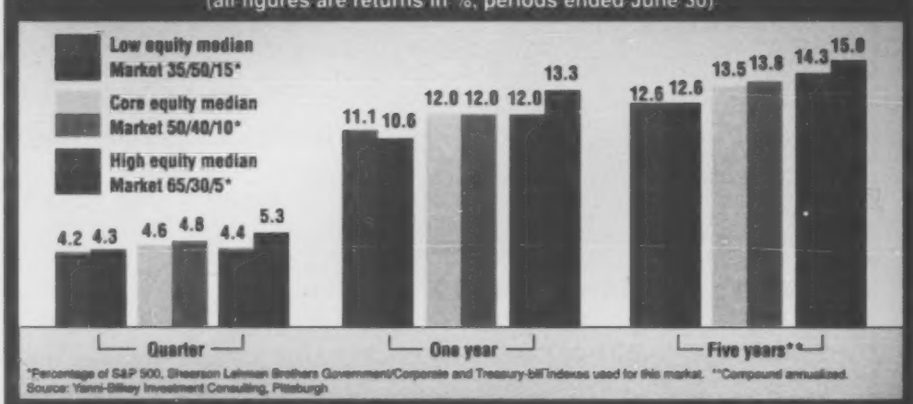
Ms. Hutton assumes her post as the non-profit corporation, which ran $5.6 billion in endowment assets for colleges, universities and independent schools as of June 30, marks its 20th anniversary.

As chairman of Endowment Advisors, Mr. Turner will help shape a $600 million investment program in real estate, energy, private equity and venture capital for more than 200 schools.

Endowment Advisors supervises a group of 12 managers in those asset classes.

GRID balanced returns

(all figures are returns in %, periods ended June 30)



*Percentage of S&P 500, Shearson Lehman Brothers Government/Corporate and Treasury-bill indexes used for this market. **Compound annualized.
Source: Yanni-Bilkey Investment Consulting, Pittsburgh

PENSION FUNDS

L.A. County fund cashes in adviser

■ The $10 billion Los Angeles County Employees' Retirement Association has decided to end its relationship with its current cash manager, Discount Corp. of New York Advisers, New York.

The firm, however, will continue to run the retirement system's $800 million cash portfolio until the pension fund can select a new manager, said Victoria Treadwell, portfolio analyst with the retirement system.

The retirement system's consultant, Callan Associates Inc., San Francisco, is assisting in the search for a new cash manager. Ms. Treadwell said the change is being made because the retirement system's investment board wants improved performance.

This special directory on minority- and female-owned financial services firms was compiled from questionnaires sent out by *Pensions & Investments*.

Questionnaires were sent to more than 80 financial services firms at which women or minorities hold an ownership interest.

The firms were asked to provide information on services offered; the year the firm was founded; assets under management; investment approaches; special services in the investment banking and brokerage areas; consulting services provided; and personnel and years of experience.

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Putting the trust with a new team

Funds back faith with assets

By Marcia Parker

Corporate, public and union pension funds have invested more than $300 million in three commingled vehicles that showcase the talents of minority- and women-owned money management firms.

These pension trusts, set up by Bankers Trust Co., New York; Evaluation Associates Inc., Norwalk, Conn.; and Progress Investment Management Co., San Francisco, give institutions an alternative to conducting a search-and-hire mission themselves or setting up farm teams. The trusts are managed by a diverse group of minority and female managers selected by the manager of managers, which monitors their performance.

Among the pension funds invested in the three minority trusts are those of American Information Technologies Corp., General Electric Corp., Pacific Telesis Group, The Kroger Co., Champion International Corp., Chrysler Corp., the state of Maryland and Bankers Trust New York Corp.

The pension trusts provide an avenue for emerging managers to demonstrate their abilities, especially to very large institutional investors that can't allocate minimal sums for management by many small minority-owned firms.

But the approach has drawn some opposition.

At a money management conference this summer, Pennsylvania State Treasurer Catherine Baker Knoll criticized the idea, saying only a "chosen few" will be able to gain entry to the market that way, and it might "prevent other firms from getting equitable treatment and from being judged on individual merit."

Her remarks drew support from some minority managers who felt the concept was degrading, while others rejected that thinking.

The "right" approach to the hiring of minority managers has long been debated. Most institutional investors either maintain farm teams of emerging managers or hire individual managers. Until these group trusts were created, the manager-of-managers approach used in other areas of money management hadn't been used to spur the hiring of minority and female managers.

The pension funds of Chrysler, the state of Maryland, San Diego Gas & Electric Co. and Bankers Trust New York are among the first investors in Bankers Trust's Minority Equity Trust. Together the four funds have invested $55 million. The newest investor is a union pension fund, which committed $50 million, bringing the total in the fund to $105 million. But because the final contract hasn't been signed the union fund did not want to be identified. It is the first union pension fund to invest in any of the trusts.

The managers are Amerindo U.S. Advisors Inc., Ariel Capital Management, Economic Resources Corp., Beekman Capital Management Ltd., Gramercy Capital Management Corp. and Greaves Capital Management Inc. Bankers Trust is the trustee.

"It clears up a problem of emerging managers and how they can be retained, especially by large funds"
— Ron Peyton

The consultants are Tremont Partners Inc. and Stamberg Prestia Ltd. Tremont, a New Canaan, Conn., firm whose staff is composed solely of women, specializes in the design of multimanager investment products and is responsible for manager screening and performance analysis. Stamberg Prestia, a Norwalk, Conn., firm owned by women, is handling marketing and other services.

Allan Martin, senior vice president-global fiduciary services at Bankers Trust, said interest is growing in hiring minority and female money managers, especially among public funds, endowments and the pension funds of some regulated industries.

Since June 1, the pension funds of Ameritech, GE, PacTel, Kroger and Champion International have invested $105 million in Progress Trusts, the total size of the trust, which was set up by Progress Investment Management, a minority-owned manager of managers. Marx Cazenave, Progress' president and also president of the National Investment Management Association for minority managers, said Progress Trust has both an equity and a fixed-income component. The equity managers are: Amerindo; Brown Capital Management Inc.; CIC Asset Management Inc.; Cook Inlet Investment Management Inc.; Denis Wong & Associates; Greaves; NCM Capital Management Group Inc.; Sturdivant & Co. Inc.; Taplin, Canida & Habacht; and Westwood Management Corp. The fixed-income managers are: Amervest Co. Inc.; Cisneros Asset Management Co.; Cook Inlet; NCM; Reid McCoy Inc.; and Wedgewood Capital Management Inc.

Herbert Dyer, executive director of the $11.6 billion Maryland State Retirement and Pension Systems, Baltimore, said trustees wanted to give minority firms an opportunity because the pension fund does not have any minority managers. He said the commingled vehicle is a good way to get a sense of how several firms work.

"We felt we'd get the money under management sooner and develop a first-hand awareness of the work being done by the actual managers working for each trust," Mr. Dyer said.

Champion International considered various ways to hire more than its existing single minority manager. Frank Long, director-trust funds management for Champion's $1.1 billion pension fund, said Progress Trusts offered a choice of equity or fixed-income and a roster of high-quality managers.

"We went with a group trust because most of the (minority- and female-owned) firms don't meet our criteria (because of size or lack of track record). This was an opportunity to get involved with helping develop truly minority firms," Mr. Long said.

Mr. Cazenave said there is room for all of the approaches devised to encourage hiring of minority managers. He said he recognizes some minority managers don't want to have a third party "between them and the plan sponsors. That's not what we are trying to do. Most big corporations don't have the staff resources to monitor all these managers. We feel it is cost effective to use the manager-of-managers approach. Then if the plan sponsors want to hire them later individually, they can."

Ron Peyton, president of Callan Associates, a San Francisco consulting firm, said the manager-of-managers approach for minority firms relieves the big pension funds of all the time and manpower needed to search for, hire and monitor these managers. "It's a nice way to diversify the business risk of investing with these folks, and it clears up a problem of emerging managers and how they can be retained, especially by large funds that can't commit small amounts to one or two or three managers," he said.

Evaluation Associates offers the Americas Funds Trust, which also includes equity and fixed-income components, according to Lois Block, coordinator for the fund. The fund has $17.5 million in domestic equity and $22.5 million in domestic fixed-income assets under management, and recently got a $25 million commitment from an unnamed corporate pension fund to the equity component. All of the investors are corporate and public pension funds.

Seven minority-owned investment firms manage the pension trust. The equity managers are Ariel, Greaves, Taplin, Sturdivant and Valenzuela Capital Management, New York. The fixed-income managers are W.R. Lazard & Co. and Reid McCoy. Ms. Block said the initial managers were se-

See **Pension trusts** *on page 42*

Group formed to offer more than just kind words

More than 60 investment advisers, consultants and foundations are doing more than just paying lip service to increasing the participation of minorities in the money management profession.

They are paying for their education.

The benefactors have committed more than $200,000 to The Financial Services Fellowship Program, which provides full tuition and a stipend for minority students to attend the Columbia University School of Business in New York, according to Jerry Bardwell, president of the organization which oversees the fellowship program.

The fellowship is the brainchild of the Institute for Fiduciary Education, Sacramento, Calif. Its initiative led to the founding of The Financial Services Fellowship Program Inc., whose membership consists of representatives from pension plans and financial institutions.

In addition to the financial assistance, a mentor program has been established, and work is progressing on a summer internship program for the fellows, Mr. Bardwell said.

It is hoped — but not required — that, upon graduating, the fellows will enter the institutional money management profession.

"A fellow is not bound to the money manager profession," said Mr. Bardwell. "We think if people are exposed to it, a great number will be attracted to it."

Of the seven students in the initial program this fall, five receive financial sponsorship from The Financial Services Fellowship Program Inc., and two from Columbia University.

In subsequent years there will be 14 fellows, said Mr. Bardwell.

In January, The Financial Services Fellowship Program Inc. began a solicitation campaign targeting investment advisers — equity, fixed-income and real estate managers — consultants and foundations for contributions to the program.

A foundation made the single largest contribution, but the largest number of contributors were investment managers. They contributed an average of about $3,000 each, Mr. Bardwell said.

"From my point of view, I think the first year is the toughest," he said. "It will be less difficult in the coming years because they (donors) will be able to see the program in place." ■

Students in the fellowship program are, from left: Mark Carter, Thomas Melendez, Monique Verret, Vincent Thompson, Susan Cross and Anthony Dinkins. Not pictured is Rodney Collins.

FIRMS OWNED BY MINORITIES & WOMEN

AIBC Investment Services
80 S.W. Eighth St., Suite 1970, Miami, Fla. 33130; (305) 372-8000

AIBC Investment Services, founded in 1986, offers public financing, asset management and full broker-dealer services.

Its equity investment approach focuses on blue-chip stocks with low leverage, p:es of less than 12 and dividend yield of more than 4%. For fixed-income accounts, it invests primarily in money market accounts or Treasury notes.

The firm also offers stock index option arbitrage.

Its areas of expertise in investment banking are public financing.

Key professionals are Jose Alvarado, chairman, and Cesar J.E. Batlle, chief executive officer.

Amerindo Investment Advisors Inc.
600 17th St., Suite 2325, Denver, Colo. 80202; (303) 629-1900

Amerindo Investment Advisors Inc., founded in 1979, offers investment management.

It has $525 million under management, of which $511 million is for tax-exempt clients.

Its equity approach uses small-capitalization stocks with a biotechnology and applied science bias.

Key professionals, and their years of experience, are Alberto W. Vitar, president, 26 years; Gary A. Tanaka, analyst, 19 years; and Leopoldo E. Guzman, analyst, 18 years.

Amervest Co. Inc.
1875 Century Park E., Suite 1740, Los Angeles, Calif. 90067; (213) 552-7972

Amervest Co. Inc., founded in 1983, offers discretionary investment management and advisory services to institutional plan sponsors.

It has $358 million in fully discretionary assets under management, all of which is for tax-exempt clients.

Its equity approach is value oriented. The primary consideration is the long-term total return of certain industry sectors and the stocks in these sectors. The strategy is to identify the undervalued stocks in the sectors that are expected to perform well over the short and longer economic or market cycle.

For fixed-income accounts it employs active and disciplined portfolio management techniques with emphasis on fundamental value analysis and management of risk through portfolio diversification.

Consulting services offered by the firm are asset allocation, investment policy development, performance and other strategic services to municipal agencies and various trust organizations.

Key professionals, and their years of experience, are Peter Cheung, managing director, 15 years; Mary Beth Sipprell, portfolio manager, five years; and Rustom Nagarwalla, assistant portfolio manager, three years.

Annuities West Inc.
600 Stewart St., Suite 1324, Seattle, Wash. 98101; (206) 441-7399

Annuities West Inc., founded in 1983, is an independent annuity search specialist and consultant. Areas of specialty include annuities for terminal funding, plan termination, state lotteries, structured settlements and deferred compensation.

Consulting services offered by the firm include rate surveys, consulting for actuaries, consultants, attorneys, insurance companies and plan sponsors.

Evelyn D. Williams, president, has 20 years of experience.

Apex Securities Inc.
333 Clay St., Suite 1310, Houston, Texas 77002; (713) 650-1122

Apex Securities Inc., founded in 1988, offers institutional equity and fixed-income executions, public finance and financial advisory services.

Its areas of expertise in investment banking are municipal finance and financial advisory services.

The firm has complete index trading capabilities.

Key professionals, and their years of experience, are Richard M. Ramirez, president, 10 years; Rodney G. Ellis, chairman, 10 years; and D. Kirk Snelling, vice president-sales and trading, six years.

Ariel Capital Management
307 N. Michigan Ave., Suite 1020, Chicago, Ill. 60601; (312) 726-0140

Ariel Capital Management Inc., founded in 1983, offers equity investment management.

It has $1.3 billion under management, of which $1.004 billion is for tax-exempt clients.

Its approach is to invest in companies that have been overlooked or underrated by other analysts relative to the firm's estimate of the companies' earnings over the next 12 months.

Key professionals, and their years of experience, are: John W. Rogers Jr., president, eight years; Darice Wright, senior vice president, five years; and Eric McKissack, senior vice president, four years.

Athene-Coronado Management Corp.
26 Broadway, New York, N.Y. 10004; (212) 422-6920

Athene-Coronado Management Corp., founded in 1984, offers management of pension funds on a separate account basis in risk arbitrage.

It has $75 million under management, of which $60 million is for tax-exempt clients.

Its investment approach involves merger arbi-

Sharon Kalin, president, has 18 years of experience, and Richard Howrilka, executive vice president, 14 years.

Beekman Capital Management Ltd.
535 Madison Ave., New York, N.Y. 10022; (212) 759-0306

Beekman Capital Management Ltd., founded in 1984, offers investment advisory services.

It has $130 million under management, of which $125 million is for tax-exempt clients.

Its equity approach is geared toward small, emerging growth companies.

Key professionals, and their years of experience, are Nedim Hamarat, president, 23 years; Mary Palmer, secretary-treasurer, 10 years; and Karen Gan, research analyst, 10 years.

Brooks Securities Inc.
25 Prospect Ave. W., Suite 700, Cleveland, Ohio 44115; (216) 861-6950

Brooks Securities Inc., founded in 1985, offers public finance, investment banking, financial advisory and brokerage services.

The firm provides fixed-income and equity brokerage. Consulting services are offered to governmental entities and small business venture capital start-ups.

Key professionals, and their years of experience, are Cleveland C. Brooks, president, 20 years; Charles M. Derricotte, vice president, six years; and Ralph S. Tyler, vice president, 10 years.

Brown Capital Management
809 Cathedral St., Baltimore, Md. 21201; (301) 837-3234

Brown Capital Management Inc., founded in 1983, is an equity investment manager focusing on relative value.

Key professionals, and their years of experience, are Eddie C. Brown, president, 20 years; and Joel Oppenheim, executive vice president, 20 years.

Capitalcorp Inc.
655 Montgomery St., San Francisco, Calif. 94111; (415) 981-4050

Capitalcorp Inc., founded in 1974 and acquired by its current management in 1989, offers broker/dealer, public finance, investment banking and asset management.

It has $224 million under management, of which $203 million is for tax-exempt clients.

Its fixed-income approach uses market timing, derivatives and immunization. It also invests in mortgage- and real estate-related products.

Its areas of expertise in investment banking are public finance, mortgage derivatives and securitization. Brokerage services offered by the firm include equity research focused on West Coast non-high-tech companies; it offers a wide range of fixed-income products.

Economic and financial consulting services also are offered.

Key professionals, and their years of experience, are Patricia Howe-Ellison, chairman, 33 years; Lorraine O. Legg, president, 30 years; and Leland S. Prussia, vice chairman, 35 years.

Cartwright & Goodwin Inc.
291 Broadway, New York, N.Y. 10007; (212) 267-7795

Cartwright & Goodwin Inc., founded in 1985, offers investment banking, broker/dealer, asset management, commercial hedging-foreign currency, equity and fixed-income research, proxy research and advisory services.

It has $100 million under management, none of which is for tax-exempt clients.

Its equity approach is to select stocks represented in the Standard & Poor's 500 Stock Index with B quality ratings or better and market capitalization in excess of $100 million.

Its areas of expertise in investment banking are negotiated and competitive municipal underwritings; venture capital; private placements; and proxy research.

Brokerage services offered by the firm are institutional brokerage; rebates; discounts; soft-dollar arrangements; ESOP; and transaction cost analysis.

The firm offers corporate financial advisory services in tax arbitrage; commercial hedging; portfolio management; equity transaction cost; and soft-dollar business.

Key professionals, and their years of experience, are Stephen R. Goodwin, president, 20 years; Yvonne O'Neal-Goodwin, vice president, eight years; and J. Robert Goodwin, vice president, three years.

Chapman Capital Management Inc.
2 Hopkins Plaza, Suite 1010, Baltimore, Md. 21201; (301) 625-9656

Chapman Capital Management Inc., founded in 1986, offers investment management services.

It has $60 million under management, of which $5 million is for tax-exempt clients.

For equity investment, it takes a long-term, value-oriented approach. For fixed-income accounts, it uses a value approach emphasizing maximum safety of principal and maintenance of liquidity. The firm also offers cash management, short-term and high-yield instruments.

Brokerage services offered by the firm are research and soft-dollar arrangements.

Key professionals, and their years of experience,

Earl U. Bravo Sr., president, 13 years; and H. Bernard Dorshow, senior analyst, 25 years.

CIC Asset Management Inc.
9536 Wilshire Blvd., Suite 214, Beverly Hills, Calif. 90212; (213) 273-8272

CIC Asset Management Inc., founded in 1989, offers equity investment management for institutions and high-net-worth individuals.

It has $52.5 million under management, of which $13.3 million is for tax-exempt clients.

CIC buys quality companies at attractive prices and takes a long-term investment perspective. Computer-based valuation screens and portfolio optimization techniques are used to ensure consistency throughout the process. In-house research is supplemented by Duff & Phelps.

Key professionals, and their years of experience, are Joe D. Campa, principal, seven years; Fernando Inzunza, principal, 10 years; and Jorge G. Castro, principal, five years.

Cisneros Asset Management
205 N. Presa B-200, San Antonio, Texas 78205; (512) 227-5200

Cisneros Asset Management Co., founded in 1989, offers active fixed-income management.

It has $108 million under management, all of which is for tax-exempt clients.

It actively manages portfolios using interest rate anticipation and sector shifts. The objective is to attain the highest total rate of return over a full market cycle consistent with the investment objectives and risk tolerances of each client.

Key professionals, and their years of experience, are Henry G. Cisneros, chairman, one year; Narciso Cano, president, one year; and Gilbert Garcia, senior vice president, five years.

Cook Inlet Investment Management Inc.
1 Bush St., 11th Floor, San Francisco, Calif. 94104; (415) 576-3434

Cook Inlet Investment Management Inc., founded in 1988, is an equity, fixed-income and cash manager.

It has $107 million under management, none of which is for tax-exempt clients.

Its equity approach focuses on a company's dividend paying history and dividend growth.

For fixed-income accounts, quantitative techniques are used to produce results that meet or exceed a specified benchmark, within each client's risk and return parameters.

Its cash management philosophy focuses on preservation of principal, providing for liquidity needs and producing competitive rates of return.

Key professionals, and their years of experience, are James E. Elder, president, 17 years; Lisa R. Weiss, senior vice president, 13 years; and William D. English, portfolio manager, four years.

Cooper, Van Dyke Associates Inc.
1100 N. Woodward, Suite 238, Birmingham, Mich. 48009; (313) 644-4514

Cooper, Van Dyke Associates Inc., founded in 1970, offers active equity and balanced management.

It had $51 million under management as of Dec. 31, of which $21 million was for tax-exempt clients.

Its equity approach emphasizes undervalued growth, buying quality and value and investing long term.

Key professionals, and their years of experience, are Marion Van Dyke-Cooper, chairperson, 30 years, and John A. Cooper, president, 20 years.

Doley Securities Inc.
616 Baronne St., New Orleans, La. 70113; (504) 561-1128

Doley Securities Inc., founded in 1976, offers brokerage, trading, financial advisory and investment banking services to institutions, government organizations and selected individuals.

Its equity approach is to choose established and growing companies, relying on fundamental analysis and technical factors. The firm aims for a maximum sector exposure of 20%.

For fixed-income accounts, it always purchases above-market returns, via competitive bids. It is an active, aggressive management.

The firm prefers investors free of South African interests.

Its areas of expertise in investment banking are municipal bonds and notes underwriting; federal, government and international securities; and corporate bonds, notes and equities.

Brokerage services offered by the firm are stock brokerage on all principal exchanges; options on futures; municipal bond, corporate bond and option trading; and commodities.

Key professionals, and their years of experience, are Harold E. Doley Jr., chairman, 22 years; John A. Washington, president, nine years; and Peter Armstrong, executive vice president, one year.

The directory of investment management consultants will be published Nov. 12.

Evergreen Asset Management Inc.
1001 Fourth Ave., Suite 3200, Se
Wash. 98154; (206) 224-9914

Evergreen Asset Management Inc., fou
1988, offers equity growth funds, cash mana
and execution services.

It has $50 million under management, all
is for tax-exempt clients.

Its equity approach is to identify 40 to 80
bes with superior risk-reward prospects us
damental analysis, diversification and game

Its cash management is a buy-and-hold
using money market and short corporate se
with maturities of from one day to three years

Key professionals, and their years of expe
are Elana Russell, president, 20 years; a
Patterson, vice president, 13 years.

EverGreen Capital Management Inc.
10250 Regency Circle, Suite 200
Omaha, Neb. 68114; (402) 392-7834

EverGreen Capital Management Inc., fou
1989, offers investment advisory services fo
and private pension plans, foundations and
ments.

It has $13 million under management,
$12 million is for tax-exempt clients.

The firm is a value manager, using a com
of undervalued small-cap and out-of-favor la
stocks in the portfolios.

Key professionals, and their years of exp
are Michael L. Green, president, four yea
Mary H. Jochim, vice president, 12 years.

Ewing Capital Inc.
1110 Vermont Ave. N.W., Suite 1
Washington, D.C. 20005; (202)
463-8787

Ewing Capital Inc., founded in 1981, offe
tutional equity research and brokerage, ass
agement and underwriting.

It has $8 million under management, of w
million is for tax-exempt clients.

Its equity approach is to select from thos
try sectors and securities offering the great
adjusted expected total return using its dis
quantitative model.

The firm also offers equity and fixed-inco
derwriting in both private and public marke
kerage services offered by the firm are eq
fixed-income executions — agent and princi

The John Hancock Building in Chicago,

owned by The John Hancock Mutual Life Insurance Company,

is comprised of 100 stories, 2,800,000 square feet of floor space,

9 million pounds of steel, 11,459 panes of glass,

1,200 miles of electrical wiring, 50 elevators, 12 FM radio station

antennas, 8 television station antennas, 7 floors of parking,

and one real estate management company:

Coldwell Banker Commercial.

COLDWELL BANKER

Key professionals, and their years of experience, are Samuel D. Ewing, president, 29 years; Michelle R. Owens, assistant vice president, three years; and Mary A. Richardson, assistant vice president, eight years.

Graistone Realty Advisors

300 River Place, Suite 2050, Detroit, Mich. 48207; (313) 259-9479

Graistone Realty Advisors Inc., founded in 1988, offers real estate investment advisory services.

It has $60 million under management, all for tax-exempt clients.

The firm makes real estate equity investments in selected U.S. cities, focusing on small- to medium-size core projects with limited or no leverage.

Key professionals, and their experience, are Charles E. Allen, president, 18 years; Handsel B. Minyard, executive vice president, 22 years; and Thomas J. Coates, executive vice president, 17 years.

Gramercy Capital Management Corp.

515 Madison Ave., New York, N.Y. 10022; (212) 935-6909

Gramercy Capital Management Corp., founded in 1986, offers equity investment management.

It has $73 million under management, of which $13 million is for tax-exempt clients.

Its equity approach is to invest in U.S. equity securities with a global perspective. The firm is value-oriented, emphasizing neglected stocks, undervalued by institutions, that are at moderate p/es, low price-book ratios and that primarily are medium- to smaller-cap companies.

Key professionals, and their years of experience, are Gerald I. White, chairman, 22 years; Joan E. Lappin, president and chief investment officer, 25 years; and Joel Goldsmith, analyst, four years.

Greaves Capital Management Inc.

1175 Peachtree St. N.E., Suite 200, Atlanta, Ga. 30361; (404) 874-1284

Greaves Capital Management Inc., founded in 1985, offers domestic equity investment.

It has $180 million under management, all of which is for tax-exempt clients.

Its investment approach is value-oriented, investing in the securities of well-established, large- and medium-size companies. Investments are long term, with an emphasis on minimizing risk.

Key professionals, and their years of experience, are Keith A. Greaves, president, 20 years; Rodney L. Craig, associate, eight years; and Mia D. Butler, associate, three years.

Holt-Smith & Renk Inc.

4274 E. Towne Blvd., Madison, Wis. 53704; (608) 249-4488

Holt-Smith & Renk Inc., founded in 1987, offers equity, fixed and balanced accounts for individuals, pension funds, foundations and associations.

It has $20 million under management, of which $8 million is for tax-exempt clients.

Its equity approach is based on earnings growth at a reasonable valuation. Purchases are varied in terms of market capitalization. The stocks tend to be underfollowed, low-debt companies in attractive niches. Fixed-income accounts are actively managed. Average maturity can vary from two to 10 years based on interest rate anticipation. Core holdings are good quality bonds.

Key professionals, and their years of experience, are Marilyn Holt-Smith, managing director, 11 years; and Kristin Renk, managing director, 10 years.

Investment Advisors of Key Biscayne Inc.

240 Crandon Blvd., Suite 200, Key Biscayne, Fla. 33149; (305) 361-7951

Investment Advisors of Key Biscayne Inc., founded in 1986, offers investment management of fixed-income securities, convertible debentures and common and preferred stocks.

It has $10.3 million under management, of which $2.4 million is for tax-exempt clients.

Its equity approach is conservative, involving long-term commitments to quality issues of common stocks. For fixed-income accounts, it manages portfolios through investments in U.S. government notes and good quality corporate issues. Ordinarily, a laddered maturity is used and particular maturity sectors are emphasized based on market conditions. For balanced accounts, the firm emphasizes the active contraction or expansion of commitments to stocks and bonds in response to changes in market conditions.

Key professionals, and their years of experience, are Ernestine Mckay, president, 22 years, and Margarita V. Fernandez, vice president, seven years.

Kenwood Group Inc.

77 W. Washington, Suite 1615, Chicago, Ill. 60602; (312) 368-1666

The Kenwood Group Inc., founded in 1990, offers equity portfolio management.

It has $6 million under management, of which $5.5 million is for tax-exempt clients.

Its investment approach is bottom-up. Companies with market capitalizations of $200 million to $6 billion are subjected to various computer screens designed to highlight undervalued equities. That list is then examined for relative attractiveness using cash flow; sustainable growth prospects; relative ratio analysis; dividend and repurchase trends; balance sheet strength; and underlying assets. Finally, management actions are evaluated.

Key professionals, and their years of experience, are Barbara L. Bowles, president, 11 years; Barbara Jenkins, vice president, 10 years; and Mark W. Watson, vice president, three years.

WR Lazard & Co.

14 Wall St., New York, N.Y. 10005; (212) 406-2700

WR Lazard & Co., founded in 1985, offers brokerage/underwriting, financial advisory and asset management services.

It has $1.863 billion under management, all of which is for tax-exempt clients.

Its active equity approach combines fundamental and quantitative analysis. Companies are selected based on strong balance sheets, solid management, low multiple of earnings/cash flow, growth prospects, and low sensitivity to sudden market movements.

The firm's active fixed-income approach is value-oriented, emphasizing sector, issue and duration selection.

The firm offers structured investment strategies for both equities and fixed income.

Its areas of expertise in investment banking are municipal finance, secondary market trading and trading in corporate equity and debt markets.

Brokerage services offered by the firm are execution and research products and underwriting.

Key professionals, and their years of experience, are Robert I. Sprulll, director of marketing, nine years; Alan B. Bond, equity portfolio manager, five years; and Frankie Hughes, director of asset management and fixed-income manager, nine years.

R. M. Leary & Co. Inc.

3300 E. First Ave., Suite 380, Denver, Colo. 80206; (303)-320-1063 or (800) 783-1063

R. M. Leary & Co., founded in 1978, is an investment management firm.

It has $27 million under management, of which $22.5 million is for tax-exempt clients.

Its equity approach uses mutual funds in a non-judgmental strategy that consists of exponents, differentials and control numbers that generate buy/sell signals. Each fund generates its own signal, i.e., all funds are not exchanged on one signal. A bond fund is used as a defensive position if interest rates are on a decline, and a money market fund within each fund family is used as a defensive position when the signals indicate leaving stock funds.

Key professionals, and their years of experience, are Kate Leary Lee, president, 11 years; Alyce R. Leary, vice president, eight years; and Carolyn Mertens, vice president, one year.

LM Capital Management Inc.

5560 La Jolla Blvd., Suite E, La Jolla, Calif. 92037; (619) 459-8965

LM Capital Management Inc., founded in 1988, offers domestic, global and international fixed-income management.

It has $130 million under management, of which $7 million is for tax-exempt clients.

The firm's investment approach is fundamentally driven and risk averse, using short- to intermediate maturities.

Key professionals, and their years of experience, are Luis Maizel, president, seven years; John Chalker, vice president, 10 years; and Tobias Gorodzinsky, analyst, two years.

The Edgar Lomax Co.

526 King St., Suite 201, Alexandria, Va. 22314; (703) 684-0803

The Edgar Lomax Co., founded in 1983, offers investment management.

It has $2 million under management, of which $550,000 is for tax-exempt clients.

Its equity approach combines a value stock selection approach with the use of market timing indicators in order to periodically hedge with stock index futures.

Randall R. Eley, president, has 11 years of experience.

The Marshall Plan L.P.

31 Milk St., Boston, Mass. 02109; (617) 482-4640

The Marshall Plan L.P., founded in 1988, offers equity investment management and fiduciary trading services.

It has $42 million under management, all of which is for tax-exempt clients.

Its equity approach is quantitative, systematic and disciplined. Equities are divided into segments of the market (e.g. large cap, value, small-cap growth) and selects that segment which is expected to outperform. Computerized modeling ranks securities within segments, and produces undiversified (concentrated, aggressive) and diversified (core) portfolios.

Key professionals, and their years of experience, are Greta E. Marshall, principal, 30 years; Marc Gresack, director of trading, 13 years; and Kimberly A. Ratcliffe, director of research, six years.

MCQ Inc.

23422 Broadwell Ave., Torrance, Calif. 90502; (213) 534-0811

MCQ Inc., founded in 1986, offers equity management.

It has $1.161 billion under management, of which $1.021 billion is for tax-exempt clients.

Its equity strategy is to achieve superior long-term performance while minimizing the loss of principal. MCQ writes options on an existing portfolio that is managed independently of MCQ. The purpose is to provide incremental return from 1% to 4% per year over a full market cycle.

Key professionals, and their years of experience, are Chuck Q. Moo, president, 30 years; Paul Hildebrand, vice president, 32 years; and Gary Lai, vice president, 24 years.

Metro Equities Corp.

220 S. State St., Suite 2014, Chicago, Ill. 60604; (312) 939-5155

Metro Equities Corp., founded in 1981, offers investment banking, investment advisory services, institutional brokerage and financial consulting.

It has $25 million under management for tax-exempt clients in a joint venture with MEI Group.

Its equity approach is growth-oriented, focusing on large-cap stocks with consistent dividends and consistent earnings stream. In international equities, it focuses on growth-oriented issues with an emphasis on asset allocation and country. For fixed income, it uses A or better bonds of no more than 10 years maturity issued by non-cyclical companies.

Investment banking services include co-managing municipal bond issues, financial advisory services and institutional brokerage.

Consulting services offered by the firm have a proprietary structure used to reduce municipal and corporate issuer cost.

Key professionals, and their years of experience, are Donald R. Davidson Sr., chairman, nine years; Donald R. Davidson Jr., vice president, six years; and Richard Horwitch, vice president, four years.

Nakagama & Wallace Investment Management

74 Trinity Place, Suite 500, New York, N.Y. 10006; (212) 962-4100

Nakagama & Wallace Investment Management, founded in 1983, offers U.S. equity, fixed-income and balanced management.

It has $6.2 million under management, of which $1.8 million is for tax-exempt clients.

Its equity approach applies conservative securities analysis techniques to screen companies for high quality, potential earnings growth, and investment value. Particular attention is paid to p/e ratios; the firm buys at the low end of the historical range and sells at the upper end.

For fixed-income accounts, it invests primarily in U.S. government and agency obligations and high-quality corporate bonds. The firm watches the yield curve, sector shifts, quality spreads and relative price movements.

In balanced accounts, fixed income is used to reduce volatility. Stocks are managed as they are in equity accounts to maximize total return.

Key professionals, and their years of experience, are: John C. Sutherland, head of investments, 30 years; Sam I. Nakagama, chief economist, 35 years; and A. Ann Wallace, president, 20 years.

NCM Capital Management Group Inc.

2 Mutual Plaza, 501 Willard St., Durham, N.C. 27707; (919) 688-0620

NCM Capital Management Group Inc., founded in 1986, offers investment management services.

It had $509.7 million under management, of which $439.7 million is for tax-exempt clients.

Its equity approach is quantitative, identifying those stocks that have the characteristics of low relative and absolute p/e ratios, positive earnings surprise and attractive earnings momentum relative to other stocks in the firm's 1,000-stock universe. Fundamental analysis is then used to select portfolio holdings.

Its fixed-income portfolios are constructed to match client objectives. High-grade securities, with an emphasis on Treasury and agency obligations, or top-grade general obligation bonds, are used. The portfolio has a core portion that closely matches the target index and, if desired by the client, a portion that is actively traded between cash equivalents and long-term Treasuries.

Key professionals, and their years of experience, are Maceo K. Sloan, president and chief executive officer, 19 years; Cicero M. Green, senior vice president, 35 years; and Isaac H. Green, vice president, six years.

Newgate Management Associates

126 Main St., P.O. Box 628, Northampton, Mass. 01061; (413) 586-6520

Newgate Management Associates, founded in 1982, offers investment management and research specializing in closed-end funds worldwide.

It has $98.5 million under management, none of which is for tax-exempt clients.

Its equity approach is to build three distinct global portfolios of closed-end funds: equity, balanced and fixed income. The firm analyzes more than 450 closed-end equity funds for possible inclusion in the portfolio, which typically is composed of 15 to 25 funds. Funds are selected based on performance, correlations with specific markets or regions, volatility and relative valuation using a variety of statistical and fundamental data.

For global fixed-income accounts, Newgate's portfolio purchases highly rated funds trading at significant discounts that aggressively shifts assets across maturities and currencies.

Key professionals, and their years of experience, are Sonia Graciela Rosenbaum, partner, 17 years; George Foot, partner, 12 years; and Nancy Weinberg, director of marketing, eight years.

Precision Asset Management

1299 Ocean Ave., Suite 105, Santa Monica, Calif. 90401; (213) 394-5756

Precision Asset Management, founded in 19..., offers equity, fixed-income and balanced portfolio management services.

Its equity approach is fundamental analysis applied quantitatively and focused on profitability and growth. Stocks are ranked, evaluated and equally weighted in a 40-stock portfolio. For fixed-income accounts, it uses a quality and total return approach that is quantitative in application, emphasizes government and high-quality corporate bonds and relies on historical interest rate relationships and current trends.

Key professionals, and their years of experience, are Joe E. Ransom, president and chief executive officer, 18 years; James H. Parks III, senior vice president and portfolio manager, 10 years; and Deborah J. Smith, vice president, four years.

Reid McCoy Inc.

8 E. Hamilton St., Baltimore, Md. 21202; (301) 332-0893

Reid McCoy Inc., founded in 1987, offers active investment management of investment-grade money market and bond portfolios.

It has $64 million under management, of which $59 million is for tax-exempt clients.

Its investment approach is moderately defensive, maintaining a high degree of principal stability and contributing a steady stream of current income. The overall goal is to provide consistent positive performance through appropriate maturity and industry selections.

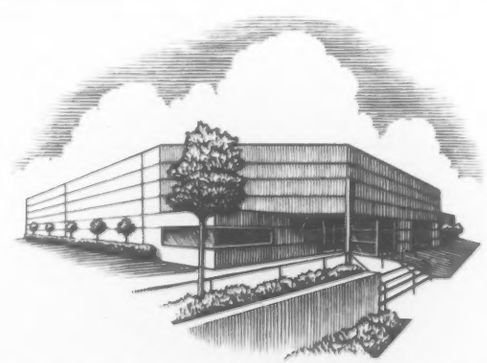
Key professionals, and their years of experience, are Larry McCoy, principal, 13 years; Vernon Reid, principal, 13 years; and Deborah L. Stalling, vice president, 12 years.

RhumbLine Advisers Corp.

30 Rowes Wharf, Boston, Mass. 02110; (617) 345-0434

RhumbLine Advisers Corp., founded in 199..., offers domestic and international investment management.

Its equity approach uses indexed and structured portfolios. Its fixed-income accounts are passive.



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Key professionals, and their years of experience, are J.D. Nelson, chief executive officer, 12 years; John A. Denney, chief investment officer, 18 years; and Wayne T. Owen, director of marketing, 12 years.

Rosenblum-Silverman-Sutton Inc.
70 Pine St., Suite 4213, New York, N.Y. 10005; (212) 344-3232

Rosenblum-Silverman-Sutton Inc., founded in 1975, offers investment management.

It has $150 million under management, of which $22.1 million is for tax-exempt clients.

Its equity approach is top-down sector rotation. For fixed-income accounts it uses laddered maturities of short to intermediate duration.

Key professionals, and their years of experience, are: Barbara G. Rosenblum, chief executive officer, 31 years; Vera L. Silverman, chief executive officer, 30 years; and Phyllis R. Sutton, president, 30 years.

The firm has an office in San Francisco at 1388 Sutter St., Suite 725, San Francisco, Calif. 94109; (415) 771-4500.

San Juan Asset Management Inc.
16521 Grunion Lane, Suite 304, Huntington Beach, Calif. 92649; (714) 840-0220

San Juan Asset Management Inc., founded in 1989, offers investment management and institutional equity research.

Its equity approach is value oriented and risk averse. Portfolios typically have a higher yield than the market. The philosophy is designed to preserve capital in declining markets.

Key professionals, and their years of experience, are: Lawrence Cisneros, president, 12 years; and James Boothe, vice president, nine years.

Muriel Siebert & Co. Inc.
444 Madison Ave., New York, N.Y. 10022; (212) 644-2400

Muriel Siebert & Co. Inc., founded in 1967, offers stock and bond brokerage and underwriting, equity trade executions at discounted commission, and municipal bond underwriting as co-manager and underwriter.

Its areas of expertise in investment banking are underwritings of corporate equity and municipal financings. The special brokerage services offered by the firm are quality order execution on all major exchanges at discounted rates as low as 3 cents per share.

Key professionals, and their years of experience, are Muriel Siebert, president, 35 years; Richard Bieber, vice president, 11 years; and Patricia Decker, senior vice president-municipals, 14 years.

Sit Investment Associates
4600 Norwest Center, 90 S. Seventh St., Minneapolis, Minn. 55402; (612) 332-3223

Sit Investment Associates Inc., founded in 1981, offers separate account management of domestic securities.

It has $2.652 billion under management, of which $2.259 billion is for tax-exempt clients.

Its equity approach is growth oriented using large- and small-cap stocks and sector rotation. For fixed-income accounts, it uses interest rate anticipation and a stable return approach. Its balanced accounts incorporate the equity and fixed-income approaches.

Key professionals, and their years of experience, are Eugene C. Sit, president, 28 years; Peter L. Mitchelson, executive vice president, 22 years; and Michael C. Brilley, vice president, 22 years.

Sit/Kim International Investment Associates Inc.
4600 Norwest Center, 90 S. Seventh St., Minneapolis, Minn. 55402; (612) 332-3223

Sit/Kim International Investment Associates Inc., founded in 1989, offers global equity asset management.

It has $73 million under management, of which $47 million is for tax-exempt clients.

Its equity approach is thematic growth, seeking above-average growth industries worldwide. It has special capabilities in private placements in restricted Pacific Basin countries.

Key professionals, and their years of experience, are Eugene C. Sit, chairman, 28 years; Andrew B. Kim, president, 25 years; and Peter L. Mitchelson, executive vice president, 22 years.

The firm also has offices in New York and San Francisco.

Smith, Graham & Co. Asset Managers
333 Clay St., Suite 4470, Houston, Texas 77002; (713) 739-1113

Smith, Graham & Co. Asset Managers, founded in 1990, offers fixed-income investment management.

It has $15 million under management, all of which is for tax-exempt clients.

It invests primarily in mortgage-related securities with a pro-active, quantitative approach using two proprietary investment models.

Key professionals, and their years of experience, are Gerald Smith, chief executive officer, 15 years; Ladell Graham, president and chief investment officer, seven years; and Jamie House, vice president, seven years.

Sturdivant & Co. Inc.
130 N. Broadway, Suite 1007, Camden, N.J. 08102; (609) 365-8884

Sturdivant & Co. Inc., founded in 1988, offers equity investment management, equity research and equity brokerage.

It has $6 million under management, all of which is for tax-exempt clients.

It uses a relative value, bottom-up investment approach that is about 70% qualitative and 30% quantitative. Beginning with a 7,000-stock universe, the firm screens for companies with capitalizations greater than $500 million, below-market p/e and price/book characteristics, and positive earnings growth momentum. This list is narrowed further on quantitative and qualitative factors until a pool of 60 companies is left, from which the 35- to 40-stock portfolios are formed.

The firm offers a complete range of specialized brokerage services in domestic, international and OTC markets.

Key professionals, and their years of experience, are Ralph A. Sturdivant, chairman, 15 years; Albert A. Sturdivant, president, 16 years; and Lorraine Howard, managing director, 17 years.

The firm also has an office at 1428 N. Broad St., Suite 201, Philadelphia, Pa. 19121; (215) 232-9030.

Taplin, Canida & Habacht
1001 S. Bayshore Drive, Miami, Fla. 33131; (305) 379-2100

Taplin, Canida & Habacht, founded in 1985, offers domestic equity and fixed-income management.

It has $150 million under management, of which $75 million is for tax-exempt clients.

Its equity approach is a combination of quantitative and qualitative analysis, seeking companies undervalued on an asset valuation or earnings basis.

For fixed-income accounts, it is risk averse, emphasizing intermediate maturities through controlled maturity decisions.

Key professionals, and their years of experience, are Tere Alvarez Canida, president, 14 years; Alan M. Habacht, partner, 22 years; and William J. Canida, partner, 15 years.

Tiffany Capital Advisors Inc.
15 Crow Canyon Court, Suite 200, San Ramon, Calif. 94583; (415) 831-1613

Tiffany Capital Advisors Inc., founded in 1989, offers equity investments.

It has $200 million under management, none of which is for tax-exempt clients.

The firm invests in growth companies that have proven their capabilities of growing operating earnings in a reliable and consistent basis, and whose most recent growth has been accelerating.

Key professionals, and their years of experience, are: Curtis O. Townsend, president, 27 years; P. Don Lattimer, chairman, 33 years; and Leona Schubert, vice president, 25 years.

United Daniels Securities
170 Broadway, New York, N.Y. 10038; (212) 227-7723

United Daniels Securities Inc., founded in 1984, offers institutional research and investment banking.

Its areas of expertise in investment banking are municipal underwriting and corporate finance.

The firm also offers proxy research and consulting services for other minority firms.

Key professionals, and their years of experience, are: Willie L. Daniels, president, 29 years; E. LaVerne Cornwell, senior vice president, 14 years; and Carmen De Cato, senior vice president, 20 years.

Valenzuela Capital Management Inc.
14 Wall St., Suite 1800, New York, N.Y. 10005; (212) 227-3590

Valenzuela Capital Management Inc., founded in 1989, offers equity management.

It has $4 million under management, of which $2 million is for tax-exempt clients.

Its equity approach uses active, bottom-up stock selection emphasizing non-S&P 500 companies. It looks for companies selling for below-market valuations and are showing positive rates of change in returns, cash flow, or, especially, earnings.

Key professionals and their years of experience are Tom Valenzuela, principal, 10 years, and Mariko Osceola Gordon, principal, six years.

ValueQuest Ltd.
Roundy's Hill, Marblehead, Mass. 01945; (617) 631-5508

ValueQuest Ltd., founded in 1982, offers domestic and international equity management.

It has $328 million under management, all tax exempt.

The firm's equity approach is contrarian value, concentrating on the lower quintile of the market in undervalued earnings, assets and quality. It focuses on intrinsic value, using a combination of screens and fundamental analysis, with a three- to five-year time horizon per security.

Key professionals, and their years of experience, are: Katherine B. Magrath, partner and chief investment officer, 27 years; John C. Moore, senior investment professional, 25 years; and Terrence B. Magrath, partner and chief investment officer, 21 years.

Vaquero Investment Management Co.
1100 N.W. Loop 410, Suite 613, San Antonio, Texas 78213; (512) 344-9101

Vaquero Investment Management Co., founded in 1990, offers fixed-income management focused on short and intermediate portfolios of U.S. Treasury securities. Preservation of principal, control of event/credit risk and liquidity are paramount.

The firm uses futures/options overlay strategies.

Investment banking and brokerage are offered through an affiliate, Southwestern Capital Markets Inc.

Key professionals and their years of experience are: Robert G. Rodriguez, president, 11 years; Dennis T. Cunningham, executive vice president, 13 years; and Madelon Yanta, vice president, five years.

Wall Street Investment Corp.
7600 Georgia Ave. N.W., Suite 100, Washington, D.C. 20012-1616; (202) 726-2100

Wall Street Investment Corp., founded in 1981, offers financial advisory services, corporate and municipal underwriting, private placement of debt and equity securities, and general financial services and insurance.

Investment banking services offered are mergers, acquisitions and divestitures, government-oriented projects, bankruptcies and turnarounds, real estate finance, venture capital, and third-party equipment lease finance. It also offers brokerage services, and consults on general finance and insurance.

Key professionals, and their years of experience, are: G.H. Starke Jr., chairman, 15 years; G.P. Shea, president, 13 years; and R.C. Davis, senior vice president, 23 years.

Public funds will be highlighted in the Oct. 29 issue.

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[John Dorian and Charles Walbrandt, Investing Magazine, Winter 1990]

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Ward & Associates Asset Management

133 Peachtree St. N.E., Suite 3910, Atlanta, Ga. 30303; (404) 524-3900

Ward & Associates Asset Management, founded in 1989, offers asset management and municipal bond banking and underwriting.

It has $40 million under management, all tax exempt.

Its equity approach is indexed and tailored to meet certain client objectives, such as South Africa free.

Its fixed-income approaches are intermediate- and long-term active relative value-based.

Key professionals, and their years of experience, are Felher W. Ward Jr., president, 12 years; Michael S. de Vegter, managing director, eight years; and Kenneth R. Holley, portfolio manager, five years.

Westwood Management

885 Third Ave., New York, N.Y. 10022-4802; (212) 688-2323

Westwood Management Corp., founded in 1983, offers equity and balanced management.

It has $1.02 billion under management, of which $950 million is for tax-exempt clients.

It is risk-conscious, using a top-down, sector rotation methodology. It stresses principal preservation in three distinct product offerings: defensive equity, balanced and fully invested equity.

Key professionals and their years of experience are Susan M. Byrne, president, 20 years; David W. Jennings, executive vice president, 20 years; and Francine J. Bovich, senior vice president, 17 years.

WFG Investment Management Inc.

1331 H St. N.W., Washington, D.C. 20005; (202) 628-7457

WFG Investment Management Inc., founded in 1985, offers equity, fixed-income and balanced accounts.

It has $27 million under management, of which $20 million is tax exempt.

The firm is a conservative, long-term value investor. Its equity focus is on stocks whose p/e ratios are low compared to historical levels and to the past and projected future growth rates of the company.

Fixed-income purchases are diversified by type and term, so portfolios are structured to realize a high total return while minimizing risk.

An affiliated firm, Potomac Investment Co., provides brokerage services.

WFG also specializes in financial planning and real estate consulting.

Key professionals and their years of experience are Carol Greenwald, president, 25 years; Linda Mundy, senior vice president, 20 years; and Eva Kornreich, research associate, four years.

Denis Wong & Associates

1314 S. King St., Suite 1057, Honolulu, Hawaii 96814; (808) 537-9931

Denis Wong & Associates, founded in 1983, offers equity, fixed-income and balanced management.

It has $57 million under management, all tax exempt.

Its equity approach is bottom up, identifying fundamentally strong companies with rising price trends, preferably with a low beta. Stocks of Hawaiian-based companies are in all portfolios.

Its fixed-income approach is top down, uses interest rate anticipation and stresses safety of principal.

Key professionals and their years of experience are Denis Y. Wong, president, 27 years; Andrew Ing, chairman, 46 years; and Brian H. Morikuni, vice president, seven years.

Yaeger Securities Inc.

16633 Ventura Blvd., Suite 1220, Los Angeles, Calif. 91436; (818) 377-6300

Yaeger Securities Inc., founded in 1981, is a broker-dealer.

Its areas of expertise in investment banking are co-managing public finance and tax-free issues and fixed-income and equity issues. It also provides investors with research, portfolio monitoring, tax-advantaged investments, private placements, mutual funds and prompt execution capabilities on listed trades, as well as an equity and fixed-income trading desk.

It also offers investment management selection services.

Key professionals and their years of experience are Norma Yaeger, president, 25 years; David Davis, fixed-income institutional trader, 27 years; and Norman Phair, vice president-equity trading, 31 years.

Zevenbergen Capital Inc.

1505 IBM Building, 1200 Fifth Ave., Seattle, Wash. 98101; (206) 682-8469

Zevenbergen Capital Inc., founded in 1987, offers equity management.

It has $31 million under management, of which $11.5 million is tax exempt.

The firm invests in companies showing above-average earnings growth prospects and strong financials. It follows a bottom-up approach to discover companies that provide superior products or services and will show consistent profitability.

Key professionals and their years of experience are Nancy Zevenbergen, principal, nine years; and Linda Selegue, vice president, 16 years.

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Pension trusts

Continued from page 35

lected from a universe of 33 for their varied investment approaches, performance records and the diversity of their ethnic backgrounds.

There was a great deal of discussion about the lack of significant minority and female representation in public pension fund money management in America today at the annual meeting of the National Association of State Treasurers July 21-25.

The group adopted a resolution calling on members to work to increase the extent of participation by qualified minority- and female-owned firms as fund managers for public pension funds.

Most state treasurers also serve as custodians of their state pension funds. ■

M&A flying high in Europe

NEW YORK — M&A deals were flowing freely in Europe in the third quarter, even though the number of U.S. mergers and acquisitions slowed to a trickle.

The approaching unification of the European Economic Community sent European M&A transactions soaring 42.1% in the third quarter compared with the year-earlier period, although the value of the transactions was down 21.7%, according to a report by IDD Information Services, New York.

Smaller deals were common, as 3,993 European concerns were targeted in deals worth a total of $99.5 billion in the first three quarters of 1990, compared with 2,810 deals worth $127.1 billion acquired during the same period the previous year.

U.S. transactions were down in number and value. The number of transactions fell 11.8% in the third quarter, contributing to a 16.6% drop for 1990 from the previous year's period. The number of transactions announced declined to 3,193, from 3,829 for the first three quarters of 1989.

The value of transactions plummeted more than 47% to $172.4 billion from $331.5 billion for the first three quarters of 1989.

"The removal of national barriers increases the potential for M&A as industries consolidate and restructure to compete more effectively on a global basis. American companies can take advantage of the changes in Europe to make attractive investments," said the IDD report.

Foreign buyers continue to be interested in U.S. acquisitions, having announced offers or acquired a minority interest in 436 U.S. companies for $46.8 billion. Japanese companies led the foreign foray into the U.S. with 73 bids valued at $11 billion followed by U.K. and French companies with $9.9 billion and $9.4 billion, respectively.

The mode of acquisition is changing globally as a result of the demise of the junk-bond market. The number of tender offers and leveraged buy-outs declined 53.9% and 71.1% respectively. Tender offers declined to 82 from 178 in the first three quarters of 1989 and announced leveraged buy-outs skidded to 11 valued at $7.7 billion from 38 worth $23.3 billion.